

CITY OF RODMAN
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2020 THROUGH MARCH 31, 2021

CITY OF RODMAN, IOWA
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CITY OF RODMAN, IOWA
OFFICIALS
March 31, 2021

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jean Hyslop	Mayor	January, 2020	January, 2022
Georgia Ellert	Council Member	January, 2020	January, 2022
Katrina Williams	Council Member	January, 2020	January, 2022
Rose Meredith	Council Member	January, 2020	January, 2022
Mark Besch	Council Member	January, 2020	January, 2022
Danny Hutchison	Council Member	January, 2020	January, 2022
Victoria Merwald	City Clerk		Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of the City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Rodman for the period April 1, 2020 through March 31, 2021 including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Rodman's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Rodman's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

To the Honorable Mayor
and Members of the City Council

5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. The City had no debt.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Rodman's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

To the Honorable Mayor
and Members of the City Council

We are required to be independent of the City of Rodman and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Barnes & Co., P.C.

Atlantic, Iowa
October 1, 2021

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF RODMAN, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations – The cash balances in the City's general ledger were not reconciled to bank account balances throughout the year. For the month independently reconciled, the bank balances for the City's bank accounts exceeded the book balances by \$1,070.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) Chart of Accounts – The City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (D) Fund Accounting – The City is not using a fund accounting system. Therefore, the City is not properly accounting for receipts, disbursements and fund balances by fund, including the General, Local Option Sales Tax and Road Use Tax governmental funds, and Water and Garbage enterprise funds.

Recommendation – The City should follow the recommended Chart of Accounts in order to accurately track the use of receipts that are restricted for specific purposes.

CITY OF RODMAN, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings and collections were not reconciled throughout the year. A delinquent account listing was maintained and the City had procedures in place for assessing late payment penalties, however, the City had no shut-off procedures for late payments, and therefore, had a large delinquent balance for customers' water bills.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review. In addition, the City should put in place shut-off procedures for delinquent water payments to help ensure timely collection of water receipts the City is owed.

- (F) Monthly Financial Reports – The City's monthly financial reports do not properly include a City Treasurer's Report or a comparison of actual to budgeted disbursements by function. For one month tested, actual receipts and disbursements were greater than amounts reported by \$908 and \$252, respectively.

Recommendation – The City should establish procedures to ensure monthly City Treasurer's reports are accurate and properly reflect the activity of the City and the appropriate reports should be provided to the City Council monthly.

- (G) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (H) City Council Meeting Minutes – The following were identified:

- (1) Chapter 372.13(6) of the Code of Iowa requires the City Council minutes to include the total disbursements for each fund, a summary of all receipts, and a list of all claims, including the reason for the claim. Minutes for the meetings tested did not include total disbursements for each fund and a summary of all receipts.
- (2) Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be properly signed. Minutes for the meetings tested were not properly signed.
- (3) Chapter 372.13(6) of the Code of Iowa requires the City Council minutes to be posted in three public places. The City Council minutes were only posted in one location.

CITY OF RODMAN, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (4) Chapter 372.13 of the Code of Iowa and Attorney General's Opinion dated April 12, 1978 requires actual gross salaries be published annually. The City has not published its actual gross salaries.

Recommendation – To comply with the Iowa Code, City Council minutes should include disbursements by fund and a summary of all receipts, be properly signed and post the minutes in three locations.

- (I) LOST Resolution – The City was unable to locate a Local Option Sales Tax (LOST) ballot results. The results on this ballot are what identify the restrictions placed on the proper use of the LOST receipts.

Recommendation- The City should contact the County Auditor to obtain a copy of the LOST election results that identify its purpose and the City should track the proper use of LOST receipts.

- (J) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (K) Disbursements – There was no documentation of approval for all disbursements, supporting documentation was not available for one of the thirty disbursements tested, and checks only require one signature.

Recommendation – The City should keep appropriate documentation for all disbursements, the Council should document their approval of all disbursements by initialing a summary of disbursements at each Council meeting, and the City should require two authorized signatures on all checks, to ensure appropriate review and approval of all City disbursements.

- (L) Payroll – The following were identified:

- (1) No approval of wages for City employees or Council could be located.
- (2) Timesheets were not filled out by City employees.
- (3) Payroll FICA taxes were not withheld from employee paychecks and therefore, the employee and employer amounts were not properly remitted to the appropriate authority.
- (4) For IPERS eligible employees, the employee portion of IPERS was not withheld from employee paychecks. The City only remitted a check to IPERS for the employer portion.

CITY OF RODMAN, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

Recommendation – The City Council should approve pay rates for City employees at the time of hiring and document in the minutes annually, time sheets should be prepared by the employee and approved by appropriate supervisory personnel, and all payroll taxes and IPERS contributions should be properly withheld, computed and remitted.

- (M) Garbage Receipts and Expenditures – The City bills residents for garbage service and then remits that money to a local sanitation company. However, these receipts and disbursements are not recorded in the City's financial records.

Recommendation – To accurately report the City's receipts and expenditures, the City should record all garbage receipts and record the remittance to the sanitation company as a corresponding expenditure.

- (N) Annual Financial Report – The following were identified:

- (1) The beginning fund balance on the FY2020 Annual Financial Report is \$244 less than the ending fund balance on the FY2019 Annual Financial Report.
- (2) The ending fund balance per the FY2020 Annual Financial Report is \$59,472 higher than the cash balance at June 30, 2020 per the City's financial records.
- (3) We were unable to test the accuracy of expenditures by function due to the City not using the proper Uniform Chart of Accounts and fund accounting.

Recommendation – The City should put in place procedures to ensure that the Annual Financial Report accurately reflects the City's financial information by fund utilizing the Uniform Chart of Accounts.

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